PAUL, HASTINGS, JANOFSKY & WALKER LLP
Barry Sher (BS-4252)
Daniel B. Goldman (DG-4503)
75 East 55th Street
New York, NY 10022-3205
Telephone: (212) 318-6000
Counsel for Defendants State Street Bank and Trust Company and State Street Global Advisors, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE STATE STREET BANK AND TRUST CO. ERISA LITIGATION This document relates to: 07-CV-8488 (*Prudential Retirement Insurance and Annuity Company v. State Street Bank and Trust Company and State Street Global Advisors, Inc.*)	Index No. 07-CV-8488 (RJH)

DECLARATION OF DANIEL B. GOLDMAN IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS AND IN THE ALTERNATIVE FOR SUMMARY JUDGMENT

DANIEL B. GOLDMAN declares and says as follows:

1. I am an attorney duly admitted to practice in New York and before this Court. I am a partner in the law firm of Paul, Hastings, Janofsky & Walker, LLP, attorneys of record for the defendants herein, State Street Bank and Trust Company and State Street Global Advisors[1] (collectively, "State Street").

2. I respectfully submit this declaration in support of State Street's accompanying Motion to Dismiss and in the Alternative for Partial Summary Judgment.

[1] State Street notes that State Street Global Advisors, Inc. is erroneously named as a defendant. State Street Global Advisors, Inc. is a Delaware holding company with no employees and no operations, and has nothing to do with Prudential or the Funds. "State Street Global Advisors," a different entity, is a division of State Street Bank and Trust Company.

3. The facts set forth herein are personally known to me, and if called as a witness I could and would testify competently hereto.

4. Annexed hereto as Exhibit 1 is a true and correct copy of a form 8-K filed with the Securities and Exchange Commission by Prudential Financial, Inc. on October 1, 2007.

5. Annexed hereto as Exhibit 2 is a true and correct copy of a form 8-K filed with the Securities and Exchange Commission by Prudential Financial, Inc. on October 31, 2007 and a true and correct copy of an October 31, 2007 Prudential Financial, Inc. press release which was filed as Exhibit 99.0 to Prudential Financial Inc's October 31, 2007 form 8-K.

6. Annexed hereto as Exhibit 3 is a true and correct copy of an excerpt (pages 62-63) of a form 10-Q filed with the Securities and Exchange Commission by Prudential Financial, Inc. on November 1, 2007.

7. Annexed hereto as Exhibit 4 is a true and correct copy of a Prudential document entitled "Explanation and Authorization of Prudential's Process for Addressing Your Defined Contribution Plan's Losses in the State Street Intermediate Bond Fund."

8. Annexed hereto as Exhibit 5 is a true and correct copy of a Prudential document entitled "Explanation and Authorization of Prudential's Process for Addressing Your Defined Benefit Plan's Losses in the State Street Intermediate Bond Fund."

9. Annexed hereto as Exhibit 6 is a true and correct copy of a Prudential document entitled "Explanation and Authorization of Prudential's Process for Addressing Your Defined Benefit Plan's Losses in the State Street Government Credit Bond Fund."

10. Annexed hereto as Exhibit 7 is a true and correct copy of a Prudential First Quarter 2007 fact sheet entitled "State Street Global Advisors Passive Intermediate Bond Index SL Series Fund."

11. Annexed hereto as Exhibit 8 is a true and correct copy of a January 14, 2008 letter from Edwin G. Schallert, Esq. to Barry G. Sher, Esq.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
February 4, 2008

/s/ Daniel B. Goldman
Daniel B. Goldman

EXHIBIT 1

8-K 1 d8k.htm FORM 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 1, 2007

PRUDENTIAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

New Jersey	**001-16707**	**22-3703799**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

**751 Broad Street
Newark, New Jersey 07102**
(Address of principal executive offices and zip code)

(973) 802-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ **Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)**

☐ **Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)**

☐ **Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))**

☐ **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 8.01 Other Events.

On October 1, 2007, Prudential Retirement Insurance and Annuity Co. ("PRIAC"), a subsidiary of Prudential Financial, Inc. (the "Company"), filed an action in the United States District Court for the Southern District of New York, in PRIAC's fiduciary capacity and on behalf of certain defined benefit and defined contribution plan clients of PRIAC, against an unaffiliated asset manager, State Street Global Advisors, Inc. ("SSgA") and SSgA's affiliate, State Street Bank and Trust Company ("State Street"). This action seeks, among other relief, restitution of certain losses attributable to certain investment funds sold by SSgA as to which PRIAC believes SSgA employed investment strategies and practices that were misrepresented by SSgA and failed to exercise the standard of care of a prudent investment manager. PRIAC also intends to vigorously pursue any other available remedies against SSgA and State Street in respect of this matter. Given the unusual circumstances surrounding the management of these SSgA funds and in order to protect the interests of the affected plans and their participants while PRIAC pursues these remedies, PRIAC is also implementing a process under which affected plan clients that authorize PRIAC to proceed on their behalf will receive payments from funds provided by PRIAC for the losses referred to above. The Company's consolidated financial statements, and the results of the Retirement segment included in the Company's Investment Division, for the quarter ended September 30, 2007 will include a pre-tax charge, within adjusted operating income and income from continuing operations before income taxes, of approximately $80 million, reflecting these payments to plan clients and certain related costs.

"Adjusted operating income" differs from, and should not be viewed as a substitute for, income from continuing operations before income taxes or net income determined in accordance with generally accepted accounting principles, but is the financial measure that the Company uses to analyze the operations of each segment in managing its Financial Services Businesses.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 1, 2007

PRUDENTIAL FINANCIAL, INC.

By: /s/ Richard J. Carbone

Name: Richard J. Carbone
Title: Senior Vice President and Chief Financial Officer

EXHIBIT 2

8-K 1 d8k.htm FORM 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 31, 2007

PRUDENTIAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

New Jersey	**001-16707**	**22-3703799**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

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☐ **Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))**

Item 2.02 Results of Operations and Financial Condition.

Prudential Financial, Inc., a New Jersey corporation, furnishes herewith, as Exhibit 99.0, a news release announcing third quarter 2007 results.

Item 7.01 Regulation FD Disclosure.

A. Prudential Financial, Inc., a New Jersey corporation, furnishes herewith, as Exhibit 99.0, a news release announcing third quarter 2007 results.

B. Prudential Financial, Inc. furnishes herewith, as Exhibit 99.1, the Quarterly Financial Supplement for its Financial Services Businesses for the quarterly period ended September 30, 2007.

C. In connection with its announcement of third quarter 2007 results, Prudential Financial, Inc. furnishes herewith, as Exhibit 99.2, information about the Company's investments, as of September 30, 2007, in mortgage backed securities and asset backed securities. In its conference call to discuss second quarter 2007 results, Prudential Financial, Inc.'s management advised investors that the estimated exposure of the Financial Services Businesses to credit-related loss of principal on its holdings of asset backed securities secured by sub-prime mortgages under stress scenarios was $150 million after-tax over a five-year period. This estimate was based on holdings of the Financial Services Businesses as of June 30, 2007 and was associated with a 40% decline in housing prices for the collateral underlying the securities owned. The estimate of credit-related loss of principal is a measure of possible net loss of principal on the securities owned rather than a measure of changes in market value of the securities that could be recognized under generally accepted accounting principles during the period of ownership as unrealized or realized losses on investments, or realized losses that could result from sale of the securities. Management's estimate of the exposure of the Financial Services Businesses to credit-related loss of principal on its holdings of asset backed securities secured by sub-prime mortgages as of September 30, 2007 under similar stress scenarios is not materially changed from its estimate as of June 30, 2007.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.0 News release of Prudential Financial, Inc., dated October 31, 2007, announcing third quarter 2007 results (furnished and not filed).

99.1 Quarterly Financial Supplement for the Financial Services Businesses of Prudential Financial, Inc. for the quarterly period ended September 30, 2007 (furnished and not filed).

99.2 Information about Prudential Financial, Inc.'s investments, as of September 30, 2007, in mortgage backed securities and asset backed securities (furnished and not filed).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 31, 2007

PRUDENTIAL FINANCIAL, INC.

By: /s/ PETER B. SAYRE
Name: Peter B. Sayre
Title: Senior Vice President and Controller
(Principal Accounting Officer)

Exhibit Index

Exhibit No.	Description
99.0	News release of Prudential Financial, Inc., dated October 31, 2007, announcing third quarter 2007 results (furnished and not filed).
99.1	Quarterly Financial Supplement for the Financial Services Businesses of Prudential Financial, Inc. for the quarterly period ended September 30, 2007 (furnished and not filed).
99.2	Information about Prudential Financial, Inc.'s investments, as of September 30, 2007, in mortgage backed securities and asset backed securities (furnished and not filed).

EX-99.0 2 dex990.htm NEWS RELEASE OF PRUDENTIAL FINANCIAL, INC., DATED OCTOBER 31, 2007

Exhibit 99.0

News Release

Prudential

Prudential Financial, Inc.
751 Broad Street
Newark, NJ 07102-3777
www.prudential.com

For Immediate Release
October 31, 2007

Contact: Gabrielle Shanin
(973) 802-7779

PRUDENTIAL FINANCIAL, INC. ANNOUNCES THIRD QUARTER 2007 RESULTS; INCREASES 2007 EARNINGS GUIDANCE

NEWARK, N.J. – Prudential Financial, Inc. (NYSE:PRU) today reported net income for its Financial Services Businesses of $860 million ($1.88 per Common share) for the third quarter of 2007, compared to $1.152 billion ($2.38 per Common share) for the year-ago quarter. After-tax adjusted operating income for the Financial Services Businesses was $905 million ($1.97 per Common share) for the third quarter of 2007, compared to $828 million ($1.72 per Common share) for the third quarter of 2006, a 15% increase per Common share. Adjusted operating income is a non-GAAP measure as discussed below.

For the first nine months of 2007, net income for the Financial Services Businesses amounted to $2.720 billion ($5.86 per Common share) compared to $2.251 billion ($4.62 per Common share) for the first nine months of 2006. After-tax adjusted operating income for the Financial Services Businesses for the first nine months of 2007 amounted to $2.643 billion ($5.69 per Common share) compared to $2.145 billion ($4.41 per Common share) for the first nine months of 2006.

"Our results for the third quarter, despite turbulent financial markets, strengthen our confidence that Prudential's balanced mix of businesses will continue to deliver performance consistent with our objectives in the long term," said Chairman and CEO Arthur F. Ryan.

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"Considering our results for the first nine months of the year, we believe that Prudential Financial will achieve Common Stock earnings per share for 2007 in the range of $7.45 to $7.60 based on after-tax adjusted operating income of the Financial Services Businesses. This expectation assumes stable equity markets over the remainder of the year," Ryan said. The 2007 expectation is subject to change if this assumption is not realized and as discussed under "Forward-Looking Statements and Non-GAAP Measures" below.

Adjusted operating income is not calculated under generally accepted accounting principles (GAAP). Information regarding adjusted operating income, a non-GAAP measure, is discussed later in this press release under "Forward-Looking Statements and Non-GAAP Measures," and a reconciliation of adjusted operating income to the most comparable GAAP measure is provided in the tables that accompany this release.

The company acquired the variable annuity business of The Allstate Corporation on June 1, 2006. Results of the Financial Services Businesses include the results of this business from the date of acquisition.

Financial Services Businesses

Prudential Financial's Common Stock (NYSE:PRU) reflects the performance of its Financial Services Businesses, which consist of its Insurance, Investment, and International Insurance and Investments divisions and its Corporate and Other operations.

In the following business-level discussion, adjusted operating income refers to pre-tax results. Current quarter results for several segments reflect decreases in market value of certain externally managed investments in the European market, which are included in adjusted operating income. These decreases in market value had an aggregate negative impact of $78 million on pre-tax adjusted operating income of the Financial Services Businesses.

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The **Insurance division** reported adjusted operating income of $547 million for the third quarter of 2007, compared to $465 million in the year-ago quarter. Our Individual Life segment reported adjusted operating income of $247 million for the current quarter, compared to $183 million in the year-ago quarter. Current quarter results benefited from a $78 million net reduction in amortization of deferred policy acquisition and other costs reflecting updates of our actuarial assumptions based on an annual review, while results for the year-ago quarter included a net benefit from similar items totaling $46 million. Current quarter adjusted operating income also included $57 million from compensation received based on multi-year profitability of third party products we distribute, while results for the year-ago quarter included a similar benefit amounting to $25 million. Excluding these items, adjusted operating income of the Individual Life segment was unchanged from the year-ago quarter. Our Individual Annuities segment reported adjusted operating income of $203 million in the current quarter, compared to $192 million in the year-ago quarter. Current quarter results benefited from a $30 million net reduction in deferred policy acquisition cost amortization and other costs, reflecting our increased estimate of profitability for annuity products based on an annual review, while results for the year-ago quarter included a net benefit from similar items totaling $37 million. Excluding the effect of these items, adjusted operating income for the Individual Annuities segment increased $18 million from the year-ago quarter, primarily reflecting higher asset-based fees due to growth in variable annuity account values. Our Group Insurance segment reported adjusted operating income of $97 million in the current quarter, compared to $90 million in the year-ago quarter. Current quarter results benefited $13 million from refinements of group disability reserves based on an annual review, while results for the year-ago quarter included a similar benefit amounting to $19 million. Excluding these items, adjusted operating income for the Group Insurance segment increased $13 million from the year-ago quarter, primarily as a result of more favorable group life claims experience.

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The **Investment division** reported adjusted operating income of $257 million for the third quarter of 2007, compared to $260 million in the year-ago quarter. The Retirement segment reported adjusted operating income of $53 million for the current quarter, compared to $109 million in the year-ago quarter. Current quarter adjusted operating income includes an $81 million charge reflecting payments to be made to clients who authorize us to proceed on their behalf to pursue remedies associated with losses attributable to certain investment funds managed by State Street Global Advisors, Inc. We commenced litigation on October 1 to pursue these remedies. Excluding this charge, adjusted operating income for the Retirement segment increased $25 million from the year-ago quarter, as current quarter results benefited from higher fees, due to growth of Full Service Retirement account values, and more favorable case experience. A greater contribution from investment income net of interest costs, reflecting increased balances for institutional investment products, was essentially offset by decreases of $12 million in market value of certain externally managed investments, as noted above, included in Retirement segment adjusted operating income. The Asset Management segment reported adjusted operating income of $119 million for the current quarter, an increase of $19 million from the year-ago quarter. Current quarter results benefited from increased performance-based fees, primarily related to real estate investment management, and increased asset management fees. These increases were partially offset by losses of $42 million from the segment's commercial mortgage securitization operations, reflecting unfavorable credit market conditions, compared to a $5 million contribution to adjusted operating income in the year-ago quarter. Our Financial Advisory segment, which reflects our retail securities brokerage joint venture with Wachovia, reported adjusted operating income of $85 million for the current quarter, compared to $51 million in the year-ago quarter. Our 38% share of the venture resulted in adjusted operating income of $97 million for the current quarter, compared to $73 million in the year-ago quarter, reflecting the venture's increased income from fees and commissions. The segment's results for the current quarter include expenses of $12 million related to obligations and costs we retained in connection with the contributed businesses primarily for litigation and regulatory matters, while results for the year-ago quarter include $22 million of such costs.

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The **International Insurance and Investments division** reported adjusted operating income of $480 million for the third quarter of 2007, compared to $428 million in the year-ago quarter. The International Insurance segment reported adjusted operating income of $366 million for the current quarter, compared to $397 million for the year-ago quarter. The segment's Life Planner insurance operations reported adjusted operating income of $213 million for the current quarter, compared to $248 million in the year-ago quarter. Current quarter results reflected decreases of $53 million in market value of certain externally managed investments, as noted above. Excluding this item, adjusted operating income for the segment's Life Planner operations increased $18 million from the year-ago quarter. This increase reflected business growth, together with a favorable impact from foreign currency exchange rates of $8 million versus the year-ago quarter. The foreign exchange impact was more than offset by a less favorable level of policy benefits and expenses. The segment's Gibraltar Life operations reported adjusted operating income of $153 million for the current quarter, essentially unchanged from $149 million in the year-ago quarter. The International Investments segment reported adjusted operating income of $114 million for the current quarter, compared to $31 million in the year-ago quarter. Current quarter results include income of $37 million from the sale of an interest in operating joint ventures; income of $22 million from market value changes in securities held relating to trading exchange memberships; and a benefit of $17 million from recoveries related to a former investment of our Korean asset management operations. Excluding these items, adjusted operating income for the International Investments segment increased $7 million from the year-ago quarter, reflecting more favorable results from the segment's asset management businesses.

Corporate and Other operations resulted in a loss, on an adjusted operating income basis, of $5 million in the third quarter of 2007, compared to adjusted operating income of $4 million in the year-ago quarter. The decrease reflects a lower contribution from the company's real estate and relocation business. Adjusted operating income from the real estate and relocation business amounted to $21 million in the current quarter, a $15 million decrease from the year-ago quarter.

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Assets under management amounted to $637 billion at September 30, 2007, compared to $586 billion a year earlier and $616 billion at December 31, 2006. Assets under management at September 30, 2006 and December 31, 2006 included $22 billion and $24 billion, respectively, related to investments in operating joint ventures which were sold by the company during the third quarter of 2007.

Net income of the Financial Services Businesses for the third quarter of 2007 amounted to $860 million, compared to $1.152 billion in the year-ago quarter. Current quarter net income includes $109 million of pre-tax net realized investment losses and related charges and adjustments. Net realized investment losses in the current quarter include $44 million of losses from impairments and sales of credit-impaired securities and $67 million from disposals of asset-backed securities collateralized by sub-prime mortgages. At September 30, 2007, gross unrealized losses on general account fixed maturity investments of the Financial Services Businesses amounted to $1.494 billion, including $1.322 billion on investment-grade securities, which are primarily interest rate related. Gross unrealized losses on general account fixed maturity investments of the Financial Services Businesses at September 30, 2007 included $318 million related to asset-backed securities collateralized by sub-prime mortgages. Gross unrealized losses on general account fixed maturity investments of the Financial Services Businesses amounted to $652 million at year-end 2006.

Net income for the current quarter also reflects pre-tax increases of $36 million in recorded asset values and $6 million in recorded liabilities representing changes in value which will ultimately accrue to contractholders. These changes primarily represent interest rate related mark-to-market adjustments. Net income for the current quarter also includes $15 million of pre-tax income from divested businesses.

Net income of the Financial Services Businesses for the year-ago quarter included $221 million of net realized investment gains and related charges and adjustments, increases of $257 million in recorded assets and $168 million in recorded liabilities for which changes in value will ultimately accrue to contractholders, and income of $10 million from divested businesses, in each case before income taxes. In addition, net income for the year-ago quarter included income from discontinued operations of $66 million (net of related taxes).

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Closed Block Business

Prudential's Class B Stock, which is not traded on any exchange, reflects the performance of its Closed Block Business.

The Closed Block Business includes our in-force participating life insurance and annuity policies, and assets that are being used for the payment of benefits and policyholder dividends on these policies, as well as other assets and equity that support these policies. We have ceased offering these participating policies.

The Closed Block Business reported income from continuing operations before income taxes of $8 million for the third quarter of 2007 and $74 million for the year-ago quarter. Closed Block Business results included net realized investment gains of $113 million in the current quarter and $150 million in the year-ago quarter. The Closed Block Business reported net income for the third quarter of 2007 of $7 million, compared to $53 million for the year-ago quarter.

For the first nine months of 2007, the Closed Block Business reported income from continuing operations before income taxes of $160 million, compared to $196 million for the first nine months of 2006. The Closed Block Business reported net income of $113 million for the first nine months of 2007 and $140 million for the first nine months of 2006.

Consolidated Results

There is no legal separation of the Financial Services Businesses and the Closed Block Business, and holders of the Common Stock and the Class B Stock are both common stockholders of Prudential Financial, Inc.

On a consolidated basis, which includes the results of both the Financial Services Businesses and the Closed Block Business, Prudential Financial, Inc. reported net income of $867 million for the third quarter of 2007 and $1.205 billion for the year-ago quarter, and reported net income of $2.833 billion for the first nine months of 2007 and $2.391 billion for the first nine months of 2006.

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Share Repurchases and Issuance

During the third quarter of 2007, the company acquired 8.3 million shares of its Common Stock, at a total cost of $750 million. From the commencement of share repurchases in May 2002, through September 30, 2007, the company has acquired 176.7 million shares of its Common Stock at a total cost of $10.138 billion.

Forward-Looking Statements and Non-GAAP Measures

Certain of the statements included in this release, including (but not limited to) those in the fourth paragraph hereof, constitute forward-looking statements within the meaning of the U. S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall,” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Prudential Financial, Inc. and its subsidiaries. There can be no assurance that future developments affecting Prudential Financial, Inc. and its subsidiaries will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (1) general economic, market and political conditions, including the performance and fluctuations of stock, real estate, and other financial markets; (2) interest rate fluctuations; (3) reestimates of our reserves for future policy benefits and claims; (4) differences between actual experience regarding mortality, morbidity, persistency, surrender experience, interest rates or market returns and the assumptions we use in pricing our products, establishing liabilities and reserves or for other purposes; (5) changes in our assumptions related to deferred policy acquisition costs, valuation of business acquired or goodwill; (6) changes in our claims-paying or credit ratings; (7) investment losses and defaults; (8) competition in our product lines and for personnel; (9) changes in tax law;

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(10) economic, political, currency and other risks relating to our international operations; (11) fluctuations in foreign currency exchange rates and foreign securities markets; (12) regulatory or legislative changes; (13) adverse determinations in litigation or regulatory matters and our exposure to contingent liabilities, including in connection with our divestiture or winding down of businesses; (14) domestic or international military actions, natural or man-made disasters including terrorist activities or pandemic disease, or other events resulting in catastrophic loss of life; (15) ineffectiveness of risk management policies and procedures in identifying, monitoring and managing risks; (16) effects of acquisitions, divestitures and restructurings, including possible difficulties in integrating and realizing the projected results of acquisitions; (17) changes in statutory or U.S. GAAP accounting principles, practices or policies; (18) changes in assumptions for retirement expense; (19) Prudential Financial, Inc.'s primary reliance, as a holding company, on dividends or distributions from its subsidiaries to meet debt payment obligations and continue share repurchases, and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends or distributions; and (20) risks due to the lack of legal separation between our Financial Services Businesses and our Closed Block Business. Prudential Financial, Inc. does not intend, and is under no obligation, to update any particular forward-looking statement included in this document.

Adjusted operating income is a non-GAAP measure of performance of our Financial Services Businesses. Adjusted operating income excludes "Realized investment gains (losses), net," as adjusted, and related charges and adjustments. A significant element of realized investment gains and losses are impairments and credit-related and interest rate-related gains and losses. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate-related gains or losses, is largely subject to our discretion and influenced by market opportunities as well as our tax profile. Realized investment gains (losses) representing profit or loss of certain of our businesses which primarily originate investments for sale or syndication to unrelated investors, and those associated with terminating

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hedges of foreign currency earnings and current period yield adjustments are included in adjusted operating income. Realized investment gains and losses from products that are free standing derivatives or contain embedded derivatives, and from associated derivative portfolios that are part of an economic hedging program related to the risk of those products, are included in adjusted operating income. Adjusted operating income also excludes investment gains and losses on trading account assets supporting insurance liabilities and changes in experience-rated contractholder liabilities due to asset value changes, because these recorded changes in asset and liability values will ultimately accrue to contractholders. Trends in the underlying profitability of our businesses can be more clearly identified without the fluctuating effects of these transactions. In addition, adjusted operating income excludes the results of divested businesses, which are not relevant to our ongoing operations. Discontinued operations, which is presented as a separate component of net income under GAAP, is also excluded from adjusted operating income.

We believe that the presentation of adjusted operating income as we measure it for management purposes enhances understanding of the results of operations of the Financial Services Businesses by highlighting the results from ongoing operations and the underlying profitability of our businesses. However, adjusted operating income is not a substitute for income determined in accordance with GAAP, and the excluded items are important to an understanding of our overall results of operations. The schedules accompanying this release provide a reconciliation of adjusted operating income for the Financial Services Businesses to income from continuing operations in accordance with GAAP.

Our expectation of Common Stock earnings per share is based on after-tax adjusted operating income. Because we do not predict future realized investment gains / losses or recorded changes in asset and liability values that will ultimately accrue to contractholders, we cannot provide a measure of our Common Stock earnings per share expectation based on income from continuing operations of the Financial Services Businesses, which is the GAAP measure most comparable to adjusted operating income.

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The information referred to above, as well as the risks of our businesses described in our Annual Report on Form 10-K for the year ended December 31, 2006, should be considered by readers when reviewing forward-looking statements contained in this release. Additional historical information relating to our financial performance is located on our Web site at www.investor.prudential.com.

Earnings Conference Call

Members of Prudential's senior management will host a conference call on Thursday, November 1, 2007 at 11 a.m. ET, to discuss with the investment community the company's third quarter results. The conference call will be broadcast live over the company's Investor Relations Web site at: www.investor.prudential.com. Please log on fifteen minutes early in the event necessary software needs to be downloaded. The call will remain on the Investor Relations Web site for replay through November 16. Institutional investors, analysts, and other members of the professional financial community are invited to listen to the call and participate in Q&A by dialing (877) 777-1971 (domestic callers) or (612) 332-0226 (international callers). All others are encouraged to dial into the conference call in listen-only mode, using the same numbers. To listen to a replay of the conference call starting at 2:30 p.m. on November 1, through November 8, dial (800) 475-6701 (domestic callers) or (320) 365-3844 (international callers). The access code for the replay is 860620.

Prudential Financial, Inc. (NYSE: PRU), a financial services leader with approximately $637 billion of assets under management as of September 30, 2007, has operations in the United States, Asia, Europe, and Latin America. Leveraging its heritage of life insurance and asset management expertise, Prudential is focused on helping individual and institutional customers grow and protect their wealth. The company's well-known Rock symbol is an icon of strength, stability, expertise and innovation that has stood the test of time. Prudential's businesses offer a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds, investment management, and real estate services. For more information, please visit www.prudential.com.

Prudential

EXHIBIT 3

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 001-16707

Prudential Financial, Inc.
(Exact Name of Registrant as Specified in its Charter)

New Jersey **(State or Other Jurisdiction of Incorporation or Organization)**	**22-3703799** **(I.R.S. Employer Identification Number)**

751 Broad Street
Newark, New Jersey 07102
(973) 802-6000
(Address and Telephone Number of Registrant's Principal Executive Offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2007, 452 million shares of the registrant's Common Stock (par value $0.01) were outstanding. In addition, 2 million shares of the registrant's Class B Stock, for which there is no established public trading market, were outstanding.

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However, if in connection with the "lookback" option we elect at the end of the "lookback" period to make an additional capital contribution or other payment to avoid or limit dilution, we may not exercise this "put" option prior to the first anniversary of the end of the "lookback" period.

On June 6, 2007, we announced our decision to exit the equity sales, trading and research operations of the Prudential Equity Group, or PEG, the results of which were historically included in the Financial Advisory segment. As discussed in Note 3 to the Unaudited Interim Consolidated Financial Statements, PEG's operations were substantially wound down by June 30, 2007 and the results of PEG are excluded from the results of the Financial Advisory segment and reflected in discontinued operations for all periods presented.

2007 to 2006 Three Month Comparison. Adjusted operating income increased $34 million, from $51 million in the third quarter of 2006 to $85 million in the third quarter of 2007. The segment's results for the third quarter of 2007 include our share of earnings from Wachovia Securities, on a pre-tax basis, of $97 million, compared to $73 million in the third quarter of 2006 reflecting increased fee and commission income of the joint venture. The segment's results also include expenses of $12 million in the third quarter of 2007 related to obligations and costs we retained in connection with the contributed businesses, primarily for litigation and regulatory matters, compared to $22 million in the third quarter of 2006.

2007 to 2006 Nine Month Comparison. Adjusted operating income improved $280 million, from a loss of $26 million in the first nine months of 2006 to income of $254 million in the first nine months of 2007. The segment's results for the first nine months of 2007 include our share of earnings from Wachovia Securities, on a pre-tax basis, of $301 million, compared to $202 million in the first nine months of 2006, reflecting increased income from fees and commissions, including a greater contribution from equity syndication activity, of the joint venture. The segment's results also include expenses of $47 million in the first nine months of 2007 related to obligations and costs we retained in connection with the contributed businesses, primarily for litigation and regulatory matters, compared to $228 million in the first nine months of 2006. Expenses in 2006 reflected an increase in our reserve for settlement costs related to market timing issues involving the former Prudential Securities operations, with respect to which a settlement was reached in August 2006.

Retirement

Operating Results

The following table sets forth the Retirement segment's operating results for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)			
Operating results:				
Revenues	$ 1,183	$ 1,112	$ 3,496	$ 3,215
Benefits and expenses	1,130	1,003	3,157	2,827
Adjusted operating income	53	109	339	388
Realized investment gains (losses), net, and related adjustments(1)	(67)	(57)	(125)	(141)
Related charges(2)	2	5	(2)	5
Investment gains (losses) on trading account assets supporting insurance liabilities, net(3)	112	238	30	(2)
Change in experience-rated contractholder liabilities due to asset value changes(4)	(82)	(149)	(18)	22
Income from continuing operations before income taxes and equity in earnings of operating joint ventures	$ 18	$ 146	$ 224	$ 272

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(1) Revenues exclude Realized investment gains (losses), net, and related adjustments. See "—Realized Investment Gains and General Account Investments—Realized Investment Gains."
(2) Benefits and expenses exclude related charges which represent the unfavorable (favorable) impact of Realized investment gains (losses), net, on change in reserves and the amortization of deferred policy acquisition costs.
(3) Revenues exclude net investment gains and losses on trading account assets supporting insurance liabilities. See "—Trading account assets supporting insurance liabilities."
(4) Benefits and expenses exclude changes in contractholder liabilities due to asset value changes in the pool of investments supporting these experience-rated contracts. See "—Trading account assets supporting insurance liabilities."

Adjusted Operating Income

2007 to 2006 Three Month Comparison. Adjusted operating income for the Retirement segment decreased $56 million, from $109 million in the third quarter of 2006 to $53 million in the third quarter of 2007. Included within adjusted operating income in the third quarter of 2007 is an $81 million charge reflecting payments to be made to plan clients related to a legal action filed against an unaffiliated asset manager, State Street Global Advisors, Inc., or SSgA. This action seeks, among other relief, restitution of certain losses experienced by plan clients attributable to certain investment funds managed by SSgA as to which we believe SSgA employed investment strategies and practices that were misrepresented by SSgA and failed to exercise the standard of care of a prudent investment manager. In order to protect the interests of the affected plans and their participants while we pursue these remedies, we will make payments to affected plan clients that authorize us to proceed on their behalf. Absent this charge, adjusted operating income increased $25 million compared to the third quarter of 2006 reflecting increased results from both our full service and institutional investment products businesses. The increase in our full service business primarily reflects increased fees due to higher full service retirement account values. In our institutional investment products business, improved investment results from a larger base of invested assets and more favorable case experience were partially offset by decreases in the market value of certain externally managed investments in the European market during the third quarter of 2007.

2007 to 2006 Nine Month Comparison. Adjusted operating income for the Retirement segment decreased $49 million, from $388 million in the first nine months of 2006 to $339 million in the first nine months of 2007. Included within adjusted operating income in the first nine months of 2007 is an $81 million charge reflecting payments to be made to plan clients related to a legal action filed against an unaffiliated asset manager, as discussed above. Absent this charge, adjusted operating income increased $32 million compared to the first nine months of 2006 reflecting improved results from our full service business. This business benefited from increased fees due to higher full service retirement account values and the lack of transition expenses in the first nine months of 2007, as the first nine months of 2006 included $6 million of transition expenses related to the completion of the integration of the retirement business acquired from CIGNA. Partially offsetting these items within the full service business was an increase in general and administrative expenses driven by expenses incurred to expand our product and service capabilities. Investment results for the full service business were relatively unchanged, as higher portfolio yields were essentially offset by higher crediting rates on general account liabilities. The adjusted operating income from our institutional investment products business was essentially unchanged from the first nine months of 2006 as a greater contribution from investment results primarily due to a larger base of invested assets and higher portfolio yields essentially offset a decrease in the level of mortgage prepayment income, decreases in the market value of certain externally managed investments in the European market during the first nine months of 2007, and a lower benefit from reserve refinements reflecting updates of client census data on a group annuity block of business. Contributing to the higher portfolio yields in the first nine months of 2007 is the benefit from the sale of lower yielding bonds and reinvestment of proceeds at higher available interest rates, which primarily occurred in the first half of 2006. The realized investment losses generated from these sales are excluded from adjusted operating income. For a discussion of realized investment gains and losses, including those related to changes in interest rates, see "—Realized Investment Gains and Losses and General Account Investments—Realized Investment Gains."